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# Market Week: December 18, 2017



## The Markets (as of market close December 15, 2017)

Each of the benchmark indexes listed here closed last week in the black, led by the Nasdaq and the Dow, both of which climbed over 1.00%. Stocks appear to have followed the ebb and flow of the proposed tax plan, which seems to have enough support for congressional passage this week. Investors may see a lowering of corporate taxes as leading to an increase in company profits and value. A 25 basis point increase in the federal funds rate did not seem to have much of an impact on investors.

The price of crude oil (WTI) climbed slightly to \$57.63 per barrel last Friday, up from the prior week's closing price of \$57.34 per barrel. The price of gold (COMEX) rose to \$1,258.20 by early Friday evening, ahead of the prior week's price of \$1,250.50. The national average retail regular gasoline price decreased to \$2.485 per gallon on December 11, 2017, \$0.015 lower than the prior week's price but \$0.249 more than a year ago.

Market/Index	2016 Close	Prior Week	As of 12/15	Weekly Change	YTD Change
<b>DJIA</b>	19762.60	24329.16	24651.74	1.33%	24.74%
<b>Nasdaq</b>	5383.12	6840.08	6936.58	1.41%	28.86%
<b>S&amp;P 500</b>	2238.83	2651.50	2675.81	0.92%	19.52%
<b>Russell 2000</b>	1357.13	1521.72	1530.42	0.57%	12.77%
<b>Global Dow</b>	2528.21	3015.17	3041.15	0.86%	20.29%
<b>Fed. Funds target rate</b>	0.50%-0.75%	1.00%-1.25%	1.25%-1.50%	25 bps	75 bps
<b>10-year Treasuries</b>	2.44%	2.37%	2.35%	-2 bps	-9 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

## Last Week's Economic Headlines

- Not unexpectedly, the Federal Open Market Committee decided to raise the target range for the federal funds rate 25 basis points to 1.25%-1.50%. This marks the third such rate increase in 2017. The Committee based this rate hike on continued strengthening of the labor market and rising economic activity. Despite hurricane-related disruptions, the Committee continues to expect that, with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace and labor market conditions will remain strong. Inflation on a 12-month basis is expected to remain somewhat below 2% in the near term but to stabilize around the Committee's 2% objective over the medium term.
- Producer prices increased 0.4% in November, the same increase as in each of the previous two months. Over the last 12 months, producer prices are up 3.1%, which is the largest 12-month price gain since the 12-month period ended January 2012. The producer prices less foods, energy, and trade services rose 0.4% in November, the largest advance since increasing 0.6% in April. For the 12 months ended in

## Key Dates/Data Releases

12/19: Housing starts

12/20: Existing home sales

12/21: GDP

12/22: Durable goods orders, personal income and outlays, new home sales

November, prices less foods, energy, and trade services moved up 2.4%.

- The increase in producer prices may be impacting consumer prices. The Consumer Price Index (CPI) rose 0.4% in November and is up 2.2% over the past 12 months. Energy prices rose 3.9% for the month and accounted for about three-fourths of the increase in the CPI. The index for all items less food and energy increased a marginal 0.1%, and is up 1.7% over the 12 months ended in November.
- November retail sales were \$492.7 billion, an increase of 0.8% from the previous month, and 5.8% above November 2016. Retail sales excluding auto sales increased 1.0% in November. Gasoline station sales increased 2.8% for the month and are up 12.2% over last November. Nonstore (online) retail sales climbed 2.5% in November and are 10.4% ahead of November 2016 sales.
- The number of job openings dipped by about 181,000 in October compared to September, according to the latest Job Openings and Labor Turnover report from the Bureau of Labor Statistics. Job openings have been at or near record high levels since June. Job openings increased in accommodation and food services (+94,000), construction (+48,000), and real estate and rental and leasing (+40,000). Job openings decreased in wholesale trade (-90,000), finance and insurance (-47,000), information (-32,000), and nondurable goods manufacturing (-26,000). In October, hires increased to 5.6 million and separations were little changed at 5.2 million. Over the 12 months ended in October, hires totaled 64.3 million and separations totaled 62.2 million, yielding a net employment gain of 2.1 million.
- The federal deficit for November soared to \$138.5 billion, about \$75 billion higher than the October deficit and \$1.8 billion higher than the November 2016 deficit. Total government receipts for November were \$208.4 billion, and total government outlays were \$346.9 billion. Over the first two months of the 2018 fiscal year, the deficit stands at \$201.8 billion, which is 10.6% greater than the deficit over the same period last fiscal year.
- U.S. import prices rose 0.7% in November after ticking up 0.1% in October. Higher prices for fuel drove the increase in November as nonfuel prices recorded no change. Import fuel prices rose 22.2% over the past year, driven by a 24.1% increase in petroleum prices. U.S. export prices increased 0.5% in November following a 0.1% advance the previous month. Export prices advanced 3.1% over the past 12 months and have not recorded an over-the-year decrease since the index fell 0.2% in November 2016.
- According to the Federal Reserve, industrial production moved up 0.2% in November after posting an upwardly revised increase of 1.2% in October. Manufacturing production also rose 0.2% in November, its third consecutive monthly gain. The output of utilities dropped 1.9%. The index for mining increased 2.0%. The index for mining increased 2.0%, as oil and gas extraction returned to normal levels after being held down in October by Hurricane Nate. Excluding the post-hurricane rebound in oil and gas extraction, total industrial production would have been unchanged in November. Total industrial production was 3.4% above its year-earlier level.
- In the week ended December 9, the advance figure for initial claims for unemployment insurance was 225,000, a decrease of 11,000 from the previous week's level. The advance insured unemployment rate slipped to 1.3%. The advance number of those receiving unemployment insurance benefits during the week ended December 2 was 1,886,000, a decrease of 27,000 from the previous week's level, which was revised up 5,000.

## Eye on the Week Ahead

The week before Christmas is a busy one for economic news. The third and final report on the gross domestic product for the third quarter is available this week, along with November's monthly report on sales of new and existing homes.

*Data sources: News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. Market data: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.*

*The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow*

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*is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.*

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